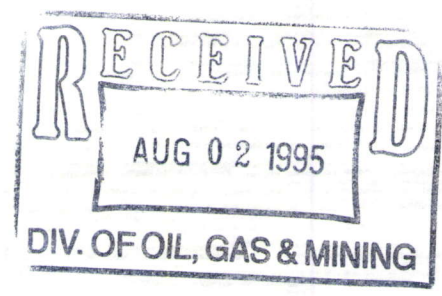


M/027/007



DOGM  
MINERALS PROGRAM  
FILE COPY

July 31, 1995



Mr. D. Wayne Hedburg, Permit Supervisor  
State of Utah, Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Site 350  
Salt Lake City, Utah 84180-1203

Re: Drum Mine, Millard County, Utah  
Permit Transfer, ACT/027/007

Dear Mr. Hedburg:

With reference to Lowell Braxton's July 10, 1995 letter to Jumbo Mining Company, please be advised that Western States Minerals Corporation ("WSMC") is prepared to cooperate in the remaining permit transfer process as discussed on Page 3 of that letter.

It is our understanding that the replacement surety necessary for the permit transfer is based upon those portions of the estimate that relate to the original Drum Mine site. Consistent with the Order of the Colorado Court that transfer should be accomplished forthwith, the amounts estimated for "Jumbo-Alto/Keystone/Monarch/Ibex" and "Jumbo-Mizpah Pit and New Heap" are irrelevant to the referenced permit transfer and can be negotiated after the transfer is accomplished.

Based upon Mr. Braxton's letter, it is our understanding that the amount of the surety required to accomplish the remaining permit transfer is determined in the following manner:

DOGM Current Estimate

WSMC's Portion of Original Entire Site	\$ 124,700
Jumbo's Portion of Entire Site	<u>168,600</u>
Total Original Entire Site	\$ 293,300

Jumbo Surety Already Posted

Jumbo surety already in place applicable to original site (to WSMC's knowledge):	<u>143,000</u>
ADDITIONAL REQUIRED FOR REMAINING PERMIT TRANSFER	\$ 150,300



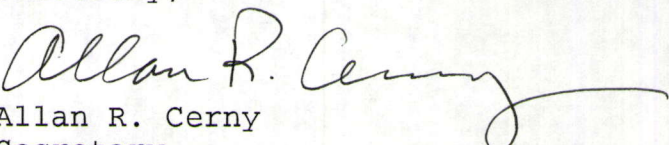
DOGM, July 31, 1995  
Page 2

Attached is an analysis of the DOGM estimate for the original Drum Mine site compared to the proposed reclamation surety that Mr. King offered in his letter to DOGM dated February 8, 1995. In that letter, Mr. King offered to post an additional \$89,000 to bond those portions of the Drum Mine site remaining to be transferred from WSMC to Jumbo Mining Company. This amount is in addition to the \$143,000 already posted, and Mr. King specifically recognized in his letter that his proposed bond would necessarily be subject to inflation, consistent with DOGM policies, thus increasing the total amount of his offer.

When Mr. King's proposed total bond is inflated to the year 2000, consistent with the DOGM estimate, the total amount of the bond which Mr. King has already offered to post is \$273,005. This amount is only \$20,295 less than the DOGM estimate of the total reclamation bond necessary for the original Drum Mine site.

Thus, it is apparent that no substantial difference exists between the reclamation bond proposed by DOGM for the original Drum Mine site and the amount that Mr. King has already offered to post. Therefore, WSMC demands that DOGM require Jumbo to post immediately an additional \$150,300, so that the remainder of the permit can be promptly transferred. There is no reason for further delay. It is obvious that DOGM's estimate is reasonable, and tracks Mr. King's previous offer very closely. Please advise us when we can expect the balance of the permit to be transferred.

Sincerely,

  
Allan R. Cerny  
Secretary

Certified Mail No. Z 271 349 236  
Return Receipt Requested

cc: Lowell P. Braxton  
Lee Foreman  
Mike Keller

## COMPARISON OF DRUM RECLAMATION/SURETY AMOUNTS

JUMBO'S PROPOSAL LETTER OF FEBRUARY 8, 1995

VS.

DOGM LETTER OF JULY 10, 1995

### JUMBO'S PROPOSAL OF FEB. 8, 1985

1. TOPSOIL

55,000 YD, "harvest and spread" at a cost of  
something less than \$0.50 per yd.

( 1995 Dollars ) \$ 25,000

2. DOGM estimate of May 22, 1989

( inflated five years at that time to 1994 Dollars) 64,000

Total Additional to existing JUMBO bond 89,000

3. Existing JUMBO bond

( also based on 1989 est. inflated to 1994 Dollars) 143,000

Total Proposed Drum Bond \$ 231,000

Inflate to Year 2000 to be consistent with DOGM:

25,000 X (1.028) (to the 5th power)	\$ 28,702
64,000 X (1.028) (to the 6th power)	75,533
143,000 X (1.028) (to the 6th power)	<u>168,770</u>

Total ( Year 2000 Dollars ) \$ 273,005

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DOGM 7/10/95 Estimate:

WSMC'S PORTION OF ORIGINAL ENTIRE SITE	\$ 124,700
JUMBO'S PORTION OF ENTIRE SITE	<u>168,600</u>

Total ( Year 2000 Dollars ) \$ 293,300

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Difference (DOGM vs. Jumbo on Year 2000 Basis) \$+ 20,295  
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